



Hospital of Saint Raphael

WRITTEN TESTIMONY OF
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PRESIDENT AND CHIEF EXECUTIVE OFFICER
HOSPITAL OF SAINT RAPHAEL

BEFORE THE
APPROPRIATIONS COMMITTEE
Friday, March 4, 2011

**RE: HB 6380, AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING
JUNE 30, 2013**

Senator Harp, Representative Walker, Senator Kane, Representative Miner, and Appropriations Committee members, I am submitting testimony today to express my concerns about Governor Malloy's proposed state budget. Specifically, as a safety net hospital, we oppose:

- Elimination of the Disproportionate Share Pools (the uncompensated care and urban hospital pools)
- Implementation of a hospital provider tax because as proposed, federal matching funds would not be used to help hospitals address the continued shortfall of caring for Medicaid and uninsured patients.

The Hospital of Saint Raphael knows first-hand the difficulty of reducing budgets and raising revenues, and recognizes the hard choices facing Governor Malloy and the legislature. However, we cannot absorb a \$6 million reduction (\$4.2 million from elimination of the uncompensated care and urban DSH pools and \$1.8 million as a result of the proposed hospital tax.) We look forward to working with the legislature and the administration on possible solutions to help address the state's financial challenges while preserving the healthcare safety net in our state.

Hospital of Saint Raphael (HSR) Background:

- Important regional healthcare resource, caring for 200,000 patients annually. Patients come from New Haven and 21 surrounding towns.
- Safety net provider to the poor and elderly: 70% of our patients are covered by Medicare and Medicaid, with neither governmental payer covering our costs of providing care, despite our on-going efforts to improve efficiencies and reduce costs. Our preliminary FY 2010 financial statements show our Medicaid shortfall alone was \$21.6 million, and free/charity care totaled \$11.0 million, for a net shortfall of \$32.6 million, only slightly offset by \$4.4 million from the 2010 uncompensated care and urban pools.
- Significant employer: We're the region's third largest employer with 4,000-plus staff members who live throughout our service area and beyond.

Because of our position as a safety net provider, we remain financially fragile, with a net loss in four of the last five years (in FY 2010 we realized a \$744,000 profit due to investment income). There has been significant work to turnaround our performance, including successful renegotiation of commercial insurance contracts, improvements in our revenue cycle, and expense reductions. There have been hard decisions--a year ago, we froze our pension plan and 401k plan benefits for employees. Our cash position remains tenuous, which does not allow for capital improvements, and we remain in continued violation of our bond covenants.

Uncompensated Care and Urban DSH Pools and the Proposed Hospital Tax:

The uncompensated care and urban DSH pools were created to partially compensate safety net hospitals like Saint Raphael's that care for significant numbers of uninsured and/or Medicaid patients. The rationale for establishing these pools still remains; in fact, the pools are even more important today—Medicaid numbers are growing and there are more people without healthcare coverage.

The Hospital of Saint Raphael should not be financially penalized for taking care of governmentally-insured patients. Our financial challenges can, in part, be attributed to the approximately \$28 million per year we struggle to absorb due to the state's underpayments. The Governor's budget would exacerbate our fragility:

Governor's Proposed Budget:

• Proposed tax (HSR payment)	-\$12.4 million/yr.
• Allotment of tax back to HSR	+\$10.6 million/yr.
Net impact of tax on HSR	-\$1.8 million/year
• Proposed elimination of pools	-\$4.2 million/yr.
Total impact of proposed budget on HSR	-\$6 million/year

Appropriations Committee Members, We Need Your Help

Saint Raphael's cannot continue to care for increasing numbers of uninsured patients with shortfalls and reductions of this magnitude. The proposed cuts of \$6 million would impact the number of healthcare services provided at our hospital and in our community—particularly for a population that the state has asked us to care for. The cuts could translate into approximately 120 less jobs for Connecticut's residents and your constituents. We understand the difficult choices and challenges before you, but we need your help.

We urge you to reject the elimination of the uncompensated care and urban DSH pools and ask that you seriously consider the impact of the hospital tax on the healthcare safety net, including the Hospital of Saint Raphael. Again, we look forward to working with the legislature and the administration on possible solutions to help address the state's financial challenges while preserving the healthcare safety net in our state and in our community. Thank you.